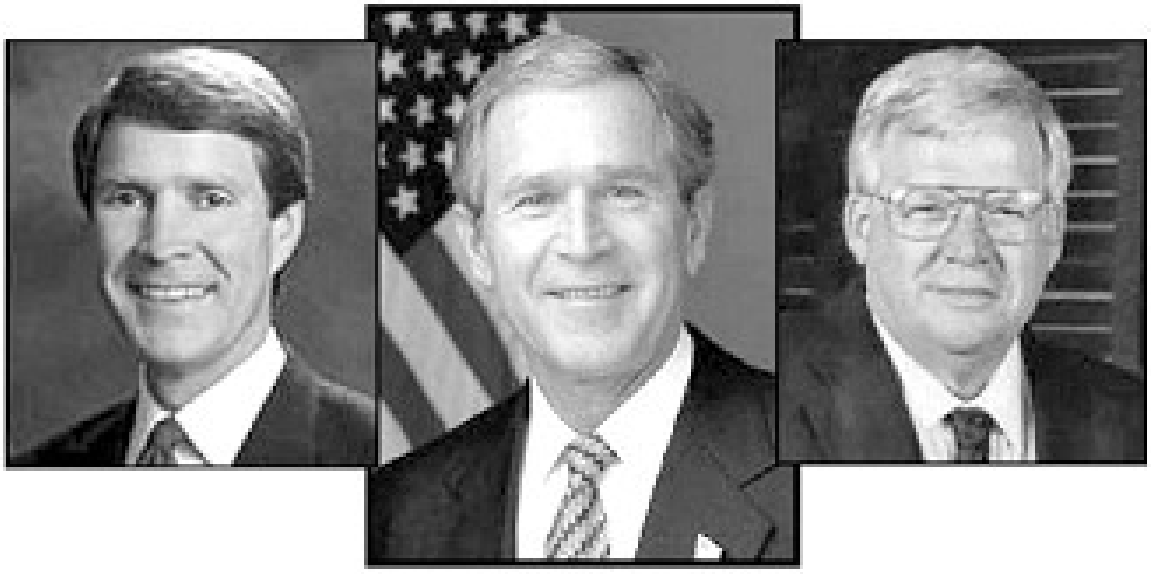
PENNSYLVANIA HEALTH UNDERWRITER

THE OFFICIAL PUBLICATION OF THE PENNSYLVANIA ASSOCIATION OF HEALTH UNDERWRITERS

DECEMBER 2005

Legislating Our Future



Is Your Agency Meeting Compliance Requirements?

FEATURES

Compliance Policies Require Periodic Review

Pennsylvania DOI Survey Finds Most Agencies Non-Compliant

Financial Privacy: A Fact Sheet For Pennsylvania Consumers

Chapters 146a, b, and c – Privacy of Consumer Health Information

ALSO IN THIS ISSUE

NAHU Online – HIPAA Privacy Requirements Compliance Guide

Is Online Enrollment Working For Your Clients?

Purchasing Your Benefits in a Pre-Tax Environment

PAHU's Lobbyist Report, and **MORE**

PENNSYLVANIA HEALTH UNDERWRITER

c/o Mark L. Shaffer, RHU – Editor
P.O. Box 355, Apollo, PA 15613
Phone: (724) 478-2411 · Fax: (724) 478-1688
Email: mshaffer@pahu.org

PAHU OFFICIAL FAMILY 2005-2006

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Erica R. Hain - President
(717) 671-5833 · erica.hain@emersonreid.com
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Robert A. Ziff - Treasurer
(215) 428-9500 · rziff@avanti.cc
Susan Lebo - Secretary
(717) 986-1744 · slebo@stratplan.biz

PAHU STATE TRUSTEES

Bill Daggett, Jr.
(484) 321-5800 · bill@ktbenefits.com
Mike Guscott
(484) 321-5800 · mikeg@ktbenefits.com
Ron Hoffman, RHU, LUTCF, CSA
(610) 865-7752 · ronhoffman@prodigy.net
Thomas J. Link
(814) 944-8849 x303 · tlink@thehancockgroup.com
David Scott
(412) 835-9100 · dscott@armsins.com
Mark L. Shaffer, RHU
(724) 478-2411 · mshaffer@benefitplans.com

CHAPTER PRESIDENTS

David Cagliola - GPAHU President
(484) 323-3100 · dave.cagliola@radnorbenefits.com
Donald L. Balla, Jr. – Pgh-AHU President
(412) 261-2222 · don@simpson-mccrady.com
William E. Carlton - CPAHU President
(717) 671-5833 x13001 · Bill.carlton@emersonreid.com
Sallie Humphries, HIA - NEPAHU President
484-432-6351 · sghumphries@coloniallife.com
Robert E. Donlan - CHAHU Acting President
(814) 944-8849 · rdonlan@thehancockgroup.com
Michele B. Bloom - NWPAHU President
(814) 452-4085 · shelly.bloom@LMCOErie.com

PAHU COMMITTEE CHAIRPERSONS

Douglas F. Moore, RHU - Membership Chair
(412) 734-4900 x276 · dmoore@seubert.com
William A. Raab - Legislative Chair
(302) 797-5256 · wraab@comcast.net
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To unify health insurance professionals of Pennsylvania for the purpose of educating our members and the public.

To preserve and perpetuate professional health insurance delivery while being an advocate for the consumer in the public and private sectors.

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From The Editor

By Mark L. Shaffer, RHU

Protecting Consumer Information

The Pennsylvania Department of Insurance provides consumers a brochure titled *Financial Privacy: A Fact Sheet for Pennsylvania Consumers*. The full text of the brochure is featured on page 19 of this issue. In part, the brochure states:

Your company and agent have a responsibility to inform you when they disclose, or intend to disclose, "Nonpublic" personally identifiable financial information about you. Examples of nonpublic personal financial information may include:

- Information provided on an application, such as income and assets;
- Your name, if it is included in a list of the company's customers;
- Details regarding your insurance coverage, including the premium you pay, the amount of coverage, etc.;
- Your premium payment history; and
- Credit information, such as your credit history, that the company obtains from a consumer report.

Agencies and Producers

Are you equipped to secure your clients' information with their privacy in mind? Have you developed a written policy outlining procedures to provide security for the information in your client files? Pennsylvania insurance regulations require this since the third Privacy Rule went into effect on March 1, 2005. The new Rules mandate that insurance agencies and *licensed producers* have a system in place to protect customer financial and health information. This third Rule is different in that it focuses on the internal safeguards, i.e. how well are the agencies and individual producers protecting this information? There are stiff penalties for those who are not in compliance with the Rule.

In a recent survey of agency principals, the Department found that approximately 60 percent were unaware of the newest Privacy Rules, a.k.a. Chapter 146c, and had no written policies in place. Agency principals were selected based on the premise that they are more aware of the legal requirements of agency operation than individual producers. PAHU Lobbyist Vince Phillips brought this to members' attention in August in the 25th issue of Phillips and Associates *LEG-REG REVIEW*. The Department is working with the PAHU and other agent associations to educate and communicate the newest Privacy Rules of the Pennsylvania Insurance Code. It is time for all producers to take steps to become compliant if you do not currently meet the requirements of the new Rules.

Information Technology

As our agency worked to meet the requirements of Chapter 146c, we sat down with 'outside' IT consultants to discuss the security systems already established to protect our electronic data. They were surprised to learn we had three firewalls in place, and stated the additional equipment was a redundant and unnecessary expense. We provided them with the requirements outlined in the new regulations, and we explained the unique and sensitive data stored in insurance agency data files. We stressed, above all, the importance of securing this information from outside threats, or any unauthorized system penetration. We made the recommended changes resulting from this exercise, primarily in the area of data backup procedures. We found however, that it is the required written policy that will nudge agency principals and producers to consider all aspects of client privacy compliance issues -- how data might be compromised and/or vulnerable in a burglary or computer system attack.

continued on page 4

MEMBER FEEDBACK WELCOME

PENNSYLVANIA HEALTH UNDERWRITER
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Mark L. Shaffer, RHU
P.O. Box 355, Apollo, PA 15613-0355
Phone **(724) 478-2411** • Fax **(724) 478-1688**
E-mail **mshaffer@pahu.org**

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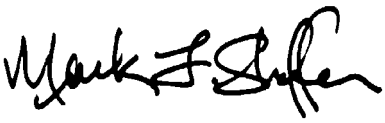
From the Editor *continued from previous page*

With so much information being transmitted so freely in this Technology Age in which we are immersed, the new regulations cause us to think about the macro affects of storing and protecting our client data -- the 'big' picture. Our responsibility has always been to offer products that provide a secure financial future for the clients we serve. I think we can all agree the last thing any of us would want is our clients' financial security to be compromised due to our inability to protect their financial information. Fortunately, as members of the NAHU, there are documents available to us that offer guidance and templates to assist our efforts to meet the Federal Gramm-Leach-Bliley Act (GBLA) and State Chapter 146 regulatory requirements.

This Magazine Issue

We have devoted much of this magazine to the Consumer Financial Privacy Compliance issues for agency principals and producers currently affected by Chapter 146c. Your NAHU, PAHU, and chapter membership dues provide these important resources and much more. We encourage you to visit the 'Magazine and Publications' link on the **www.NAHU.org** website, and the 'Privacy Compliance Review' link on the **www.PAHU.org** website for additional information relating to client privacy issues.



PAHU ONLINE

For the latest news and updates, visit our website at www.pahu.org.

Looking at the Calendar

Vince Phillips
PAHU Lobbyist

The end of year means that we assess our year and gauge our successes and challenges. It is also a time for resolution. How can we improve ourselves and accelerate the progress we have made? It is also a time when we should be thankful for the personal gifts such as family and friends we have been blessed with this past year while valuing professional opportunities that have come our way.

It is this later vein that I wish you to examine. The industry has been good to health underwriters. Despite the usual stresses that come with the business (*premium increases, replacing coverage, changing positions, etc.*), most PAHU members tell me that it has been an excellent year for them. The question is why. One answer is that health underwriters command the respect and loyalty of our customers. This is not something that happens overnight. Rather, it is a reward that comes from years of sweat equity of working to earn that trust. Another explanation is that our private sector health insurance system allows health underwriters to practice our trade. Collectively, our success in the insurance and health/employee benefits industry comes not just from our hard work, but from a dynamic system that allows us to excel via our own initiative and drive.

What a different world it would have been had the Clinton Era Health Security Act passed. Fortunately, NAHU and PAHU are also watching the government to make sure that dangers to the industry are confronted and addressed. NAHU and PAHU attempt to ensure that there will continue to be a marketplace and a private sector system that permits customer choice and allows you to continue to do what you do.

Now here is the rub. The industry has been good to us. How do you pay the industry back? First of all, recognize that you probably cannot return the favor on the same scale as to what you have received, but you can do some things personally to make a difference.

First, continue to do what you are doing as you earn the professional trust that marks our industry. Continue to address your customers with the respect and ethical mission that you have done before.

Second, look for opportunities to serve others in the industry (and yourself) by moving your involvement in PAHU up a notch. Look to do these things:

- Attend a meeting or attend one more meeting in 2006 than you did in 2005. There is a wealth of educational opportunity that comes with a meeting. In addition, meetings are a great way to network.
- Volunteer to further enhance your local association's ability to provide PAHU benefits. An example might be to work in membership and agree to visit with five members who may have opted to non-renew under the direction of the local membership chairman. Another example would be to work with your local legislative committee to meet with local legislators.
- Donate to your political action committee, either to PAHU or NAHU's PACs (*hopefully both!*). This is not hard since an automatic monthly deduction is easy to do (*complete details can be found at* ***www.pahu.org***). This helps fund our political advocacy in that PAC money goes to lawmakers and candidates to give us greater access.
- Participate in NAHU's Capitol Conference March 27-29, 2006 or closer to home in Harrisburg on February 14th. This means that you will have your appointments set up for you with legislators and staff. All you have to do is show up and agree to talk with those policymakers about things that are important to you and your clients.
- Ask a question. Be informed. In candor, it's hard to know what questions to ask unless you choose to become informed. A PAHU member service is a free subscription to *Leg-Reg Review*, an e-mailed two-page newsletter that documents what legislators and regulators are doing in relation to the insurance industry. Access may be obtained via the PAHU website or by requesting your own direct communication from **xenobun@aol.com**.
- Share with others. Distribute an Action Alert or *Leg-Reg Review* with others.
- Communicate directly with legislators. Let them know how their decisions affect you and your clients. Educate them about how insurance works. Remember, if they don't learn from you, someone who may not have our best interests in mind will influence them.

The conclusion is that you should resolve to become more attuned to what's going on in 2006. Help your profession by becoming more involved in your professional association.

Pennsylvania Association of Health Underwriters

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FEATURE ARTICLE

Compliance Policies Require Periodic Review

Submitted by Robb Chastain, General Counsel for Compliance Assurance Corp.

Although they have been around for some time, complying with identity theft prevention regulations is an ever-changing responsibility. Now, more than ever, insurance producers impacted by the laws need to pay attention since regulatory agencies are ramping up enforcement efforts.

United States Department of Health & Human Services

To remain compliant, it's necessary to keep current with multiple regulations, both state and federal. While the federal GLB act enforces financial information regulations, Pennsylvania law covers both financial and health information and is stricter than the federal act. The 31 PA Codes CH 146a, b and c are more commonly known as the Laws for Privacy of Consumer Financial Information, Privacy of Consumer Health Information and the Standards for Safeguarding Customer Information. Additionally, companies handling benefit information also fall under the scrutiny of the federal Health Insurance Portability and Accountability Act, which also address privacy and security issues. This crossover can make compliance quite an achievement.

Although the GLB Act is six years old, the compliance policies and procedures that companies originally put in place should not be the exact same ones in use today. Compliance cannot be attained and then forgotten. GLBA, HIPAA and the Pennsylvania codes require regular and continuous monitoring and updating of policies, procedures and technology as conditions change. And those conditions can be external – as in updated state and federal regulations – or internal – as in new employees, customers or facilities. In the age of digital information there are now three things you can count on: death, taxes, and privacy and security regulations.

As federal, and now state regulators have begun taking enforcement actions against companies, they have created new requirements to the privacy and security regulations.

While the spirit of the state and federal laws has remained virtually unchanged since their passage, regulators enforcing the laws are interpreting them in a varying manner based on each case's individual circumstances. Through interpretation, they're adding more details and tightening up the acts.

What's more, a portion of the constantly changing rules is driven in part by criminals getting better at what they do. With each case of identity theft or misuse of personal information that is uncovered, regulators tighten up security and privacy requirements. What was good enough last year may not be good enough today. Added early in 2005, the assessment seeks to improve the basic security tasks by having another eye on things, this time by a security professional.

The risk assessment encompasses the entire environment of a business – from the safeguarding of its computers, to physically securing office space to the possibility of a tornado or a flood scattering or destroying client files. The risk assessment also will evaluate the policies and procedures a company has in place. These polices and procedures will be utilized to train employees on the regulations and how to insure the firm is keeping the promise of keeping customers' information private and secure.

"The newest requirement of the regulations is the mandate that companies employ a third-party risk assessment."

Unfortunately for everyone in the marketplace, while the regulations are a moving target, businesses trying to comply with the law also can be targets of unscrupulous vendors.

PENNSYLVANIA INSURANCE DEPARTMENT

This newest regulation mandates that these third-party security assessors carry minimum training and meet specific standards, which can be an issue in securing such a vendor.

First, companies seeking third-party assistance must be wary of flawed or obscure certification information from those they seek to assist them. Proper standards that validate a person's skill as a security professional include holding documentation as a Certified Information Systems Security Professional (CISSP) or Global Information Assurance Certification (GIAC) or some equivalent.

Companies shouldn't be fooled by or settle for firms or associations offering anything less. Just as automobile manufacturers that place inferior material into the cars they build are open to liability, companies that employ unqualified vendors are open to increased liability. Starting the process with materials or services that do not meet the required standards can increase potential liabilities. Secondly, companies located in areas of the state that are not populated by such certified professionals may be hard-pressed to find a qualified vendor. They may need to import such assistance from a metropolitan area at their own expense.

These are a few examples of what not to do when it comes to these issues. Companies tripped up by these laws have not been reported in mainstream media stories because the Federal Trade Commission just recently started enforcing the security rules of the GLBA. Regulating agencies, including those in Pennsylvania, are just now in the process of training auditors to evaluate the rules. Regulators are finally catching up, and within the next 12 months, more strict enforcement will occur.

* * * * *

Robb Chastain is general counsel for Compliance Assurance Corp., Pittsburgh, Pa., which offers software to assist Insurance Producers in conforming to state and federal privacy and security regulations. In addition to a CISSP security certification, he is pursuing GAIC certification. Robb can be reached at (412) 690-2301 or rchastain@complyfast.com. More information is available at www.complyfast.com.

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Chapter 146b – Privacy of Consumer Health Information

Effective November 12, 1999, the Gramm-Leach-Bliley Act became a Federal law. It provided for insurance and banking consumer protections relative to how consumer and customer nonpublic personal financial and health information is shared with third parties. This Federal law required states to create regulations to prevent Federal preemption of insurance privacy and consumer protection laws in the states. On October 25, 2002, the Insurance Department adopted Chapter 146b under Title 31. This chapter was named "Privacy of Consumer Health Information." Under Chapter 146b, licensees with $5 million or more in annual receipts (premiums, commissions, or operating revenue received in a 12 month period) were required to comply with the chapter by April 14, 2003.

Licensees with less than $5 million in annual receipts shall comply with the chapter by April 14, 2004.

Chapter 146b essentially governs the treatment of nonpublic personal health information by various licensees of the Department, describes the conditions under which health information can be disclosed by a licensee, and requires licensees to obtain authorization from consumers prior to disclosing health information outside certain exceptions listed in the regulation. The regulation defines a consumer as an individual who seeks to obtain or has obtained financial, investment, or economic services relating to an insurance product or service. Some examples provided in Chapter 146b of insurance consumers include applicants for insurance coverage, beneficiaries to a life insurance claim, claimants under insurance policies, and insureds under policies.

PENNSYLVANIA INSURANCE DEPARTMENT

www.ins.state.pa.us

The Pennsylvania Department of Insurance website is an objective source of information that can help you understand the complexities of insurance coverage.

When it comes to insurance, knowledge is your best policy.

Relationship of Chapter 146b with Other Laws

Section 146b.21 states that if a licensee complies with the health privacy provisions of the Federal HIPAA Privacy Regulation, the licensee is not subject to the provisions of Chapter 146b. The health privacy provisions listed in the HIPAA regulations are far more encompassing than those listed in Chapter 146b.

Sharing of Nonpublic Personal Health Information

Nonpublic personal health information is defined under Chapter 146b as information or data created or derived by a health care provider or the consumer that relates to one or more of the following:

1. The past, present, or future physical, mental, or behavioral health condition of an individual.
2. The provision of health care to an individual.
3. Payment for the provision of health care to an individual.

According to Section 146b.11(a) of the regulation, a licensee may not disclose nonpublic personal health information about a consumer with any third parties, including affiliates of the company, unless an authorization is first obtained from the consumer whose information is sought to be disclosed.

The authorization must meet the requirements listed in Section 146b.12(a) of the regulation. Specifically, the authorization must be in written or electronic format and shall contain a general description of the types of information to be shared and a description of the parties to whom the information will be disclosed.

Also there are 33 situations listed in Section 146b.11(b) where a licensee can provide nonpublic personal health information to third parties without it being considered "sharing" and without having to obtain a consumer authorization. These 33 situations are referred to in the regulation as "insurance function exceptions" and include processes such as claims administra-

tion, claims adjustment, underwriting, policy placement and issuance, ratemaking, and the investigation of potential fraud.

Ensuring That Shared Health Information Remains Confidential

In accordance with section 146b.11(d), a licensee may disclose nonpublic personal health information to third parties provided that the information is disclosed only for the purposes of carrying out one or more of the 33 insurance functions listed in the regulation.

However, even when a company shares information with third parties under the 33 insurance function exceptions, the Department may hold the company responsible for disclosures made by third parties that violate the requirements of Chapter 146b.

Through the Department's efforts to ensure compliance with the privacy regulation, consumers are afforded the protections of Chapters 146b of Title 31 and of Title V of the Gramm-Leach-Bliley Act.

Purchasing Benefits in a Pre-Tax Environment

Sallie Humphries, HIA

NEPAHU Chapter President

Today, insurance agents and consumers have a lot more financial options than ever before to choose from when considering the sale of insurance products. You have to really know your acronyms to offer benefits to employers, i.e., HRA, HSA, FSA…. what does it all mean?

Flexible Spending Accounts (FSAs) afford employees and employers a huge opportunity to enhance their current benefits program while decreasing costs. Yes. Employers and employees can enhance their current benefits and still decrease their costs! Premium conversion or

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premium only plans (POP) are very popular in the supplemental insurance market and usually allow the agent the opportunity to meet with the employer to illustrate a plan to save the employer and employee tax dollars.

Internal Revenue Code Section 125 was designed by Congress in the Revenue Act of 1978 to try to help control the increasing costs of benefits at the worksite. The law allows employers to offer benefits to employees and allow them to pre-tax the premiums for the benefits from their gross income, i.e., payroll. The amounts to be pre-taxed must be based on employee contributions for the benefits. There are a lot of other rules and regulations associated with taxability of benefits. Here are some of the primary rules that employer accounts must follow to offer benefits on a pre-tax basis:

1. Benefits cannot be discriminatory. All employees must be given the opportunity to participate in the program.

2. Benefit elections can only be made during the open enrollment period each year (with a few exceptions such as a status change that can occur during the year, as long as it meets IRS provisions). The law will allow a one-time enrollment of the benefits on a pre-tax basis during the initial installation of the plan.

3. Premiums must be payroll deducted from the employees' paychecks.

4. Employers must have a written plan document that describes all of the benefits being offered to the employees and the dates that benefits will be reviewed each year.

5. These plans are covered under ERISA, i.e., the Employer Retirement Income Security Act of 1974, so each employee must be provided with a summary plan description (SPD) document usually provided in the benefits booklet.

This may sound like a lot of effort on the employer's part to implement a plan. However, there are several flexible plan benefit administrators more than willing to help the employer create a plan document and ensure that their program is meeting the requirements of the legislation. Some of these administrators offer a "self-administered premium conversion plan kit" that provides employers with the necessary tools to enable them to offer benefits on a pre-tax basis without the administrative burden of offering full FSA benefits, i.e., Health Care Reimbursement accounts and Dependent Care Reimbursement accounts.

Purchasing benefits on a pre-tax basis can save the employer and the employee tax dollars. Employers save corresponding FICA amounts that they must deduct from the employees' paychecks on a per pay period basis since the benefits' dollars are being subtracted from the gross income of the employee thus reducing the employees' gross taxable income which reduces the percentage due for the FICA taxes. Participating employees save money by not only reducing their FICA contributions, but they also reduce the amounts payable for federal and state taxes each pay period.

If you are not taking advantage of the premium conversion option for your insurance business accounts, I encourage you to get in touch with a flex plan administrator or supplemental insurance company quickly before someone else introduces this great money saving opportunity to YOUR account first!

* * * * *

Sallie Humphries is a Regional Instructor for Colonial Supplemental Insurance supporting PA, NJ and NY. Sallie also serves the association as president of the NEPAHU Chapter. For more information, contact Sallie Humphries at 484-432-6351 or sghumphries@coloniallife.com.

ONLINE

HIPAA Privacy Requirements Compliance Guide

Presented by the NAHU Education Foundation, this is the only guide written specifically for health insurance producers. The guide provides a complete overview of the new requirements, sample notices, templates and more.

FREE to NAHU members on the NAHU website at:

http://nahu.org/publications/HIPAA_Guide/index.htm

ONLINE ENROLLMENT:

Another Perspective

Mark L. Shaffer, RHU

While the industry is constantly changing and continuing to look for cost effective ways to enroll participants and communicate benefit plans, we wait for clients to catch up to embrace these new technologies. Lately, one of our 401(k) providers touted the capability of offering participant enrollment communications online. Yet, from a practical perspective, the adviser has to ask how effective online enrollment will be in contrast to face-to-face meetings. In fact, an e-mail news article on this very subject recently appeared on my screen. It summed up the realities of the online enrollment issue from a broker/adviser perspective.

"I am not going to be running back and forth to a computer and have the employees do the same."

The article titled, Advisers Agree On Face-to-Face Communication, published by *Employee Benefit News* stated, "Enrolling employees via Web site or telephone is fine, but nothing equals that personal, face-to-face touch, according to brokers participating in a recent roundtable discussion." The article reported on a roundtable discussion held recently at the Benefits Management Forum and Expo, and went on to say that a dozen or so advisers agreed that an optimal benefits communication process has to involve in-person meetings, sometimes in a group setting, and sometimes one on one.

One broker pointed out that while online enrollment is important for a very large (40,000+) client, the online process offered them limited success. My personal experience parallels the sentiments of the panel. If the online process is to be successful, the adviser must ask strategic questions:

1. Does the client have 'broadband' technologies to produce the video stream to communicate the benefit plan effectively?
2. What happens if there is a technology glitch during the online presentation?
3. How many clients have the video projection equipment to reproduce the computerized image in a conference or lunchroom setting?
4. Does the client have a computer terminal for every employee?
5. What number of participants can gather around a computer monitor and garnish meaningful information?
6. Are prospective participants willing to sit in front of a monitor if they are not comfortable using a computer or a mouse?

I chuckled recently when I read an e-mail comment from a client in Roanoke, Virginia when she wrote, "[..] then she (*the enroller/scheduler*) started talking about how it would be on the Internet and they (*the employees*) could watch it (*the enrollment presentation*) at home since we don't have a lunch time. I know they will not watch it at home, and some don't have computers at home." At this point a frustrated client summed it all up, "I am not going to be running back and forth to a computer and have the employees do the same," she said.

These frustrations epitomize the online enrollment challenge carriers and advisers face. While the financial services industry was among the first to embrace technology beginning in the early 1980s, we must realize that many of our clients are content to plod along twenty-five years later the old fashioned way.

Online benefit communication and enrollment will be a big part of our future. As advisers however, we need to know our clients to offer solutions in order to strike a balance that will produce effective results. Our livelihood and reputation depend on it.

WELCOME NEW PAHU MEMBERS!

New PAHU Members Who Joined From September 1 Through November 30.

NAME	COMPANY	CITY - CHAPTER
Laura Allison	HealthAmerica/Health Assurance	Pittsburgh - PAPITTSBURG
Donald Aselton	MetLife	Wayne - PAPHILADELPH
Jay Bachman	Gunn-Mowery Insurance	Lemoyne - PACENTRAL
Marietta Bartek	Millennium H. C. Group	Harleysville - PAPHILADELPH
Kathleen Beberman	The Heart Agency	Sinking Spring - PANORTHEAST
Neil D. Beberman	The Heart Agency	Sinking Spring - PANORTHEAST
Kathy S. Becker	Principal Financial Group	King of Prussia - PAPHILADELPH
Barbara Brodie	AFLAC	Roaring Branch - PACENTRAL
Scott Buchholz, CBC	Brokerage Concoepts, Inc.	King of Prussia - PAPHILADELPH
Kim A. Calabrese	Independence BlueCross	Philadelphia - PAPHILADELPH
Robert Cohen, CPA	4 Chalous Lane	Villanova - PAPHILADELPH
Bill Crain	AFLAC	Brookville - PAPITTSBURG
James H. Crouthamel, CLU, LUTCF, ChFC	Colonial	Southampton - PANORTHEAST
Jesse H. Daniels	Creative Financial Group	Newtown Square - PAPHILADELPH
Jim Dowrick	AmeriFlex	Mount Laurel - PAPHILADELPH
Nancy A. Dudek	American Medical Security	Pittsburgh - PAPITTSBURG
Gary M. Earland	IBC	Philadelphia - PAPHILADELPH
Tim J. Golden	PMA Insurance Company	Blue Bell - PAPHILADELPH
Rebecca Hafer	Hafer & Company	Reading - PACENTRAL
Allison Ingoglia	United Concordia	King of Prussia - PAPHILADELPH
Don Kalkbrenner	Highmark Life & Casualty Group	Pittsburgh - PAPITTSBURG
Paul H. King	Babb, Inc.	Pittsburgh - PAPITTSBURG
Kimberly M. King	The Hartford	Pittsburgh - PAPITTSBURG
Autumn Lang, PAHM	Capital BlueCross	Harrisburg - PACENTRAL
Scott H. Maddren	Benescript Services, Inc.	Richboro - PAPHILADELPH
Frederick Gerard Merkel	United Concordia Companies, Inc.	Harrisburg - PACENTRAL
Randall S. Miller, RHU, CEBS	The Elite Group	Exton - PAPHILADELPH
Lisa M. O'Neill	Liberty Benefits, Inc.	Conshohocken - PAPHILADELPH
Bob Pease Jr., CIC, AAI	Pease Insurance, Inc.	Dillsburg - PACENTRAL
Mike Pontious	Fischer Financial Group, Inc.	Williamsport - PANORTHEAST
Alison Pratt	Capital Management Enterprises, Inc.	Wayne - PAPHILADELPH
Gosia K. Schneck	G. Schneck Consulting	Yardley - PAPHILADELPH
M. Richard Schon	Delta Dental	Mechanicsburg - PAPHILADELPH
Ralph Steven Seiler	R. Steve Seiler Insurance, LCC	Allentown - PANORTHEAST
Vince J. Sobocinski	UnitedHealth Care	Ardmore - PAPHILADELPH
Manuel N. Stamatakis, CLU, RFC, PHD	Campital Management Enterprises	Wayne - PAPHILADELPH
Gergory W. Troupe	Transamerica Worksite Marketing	York - PAPHILADELPH
Cynthia P. Whalen	Colonial Suplemental	Wilmington - PAPHILADELPH
Gregory Wilden	Highmark Life & Casualty Group	Pittsburgh - PAPITTSBURG

NAHU Membership Application

Last Name | **First Name** | **Designation**

Company | **Title** | **Referral/Sponsor**

Mailing Street Address | **City** | **State** | **Zip**

Telephone | **Fax** | **E-Mail Address**

Home Street Address (for legislative purposes) | **City** | **State** | **Zip**

Local Association (see other side of this application)

Form of Payment Enclosed: **Amount:_____**

[ ] Monthly Draft (please select one) [ ] Checking Account [ ] Credit Card
[ ] Check (payable to NAHU)
[ ] Annual Credit Card (please select one) [ ] Visa [ ] MasterCard [ ] Am Ex [ ] Discover

Bankdraft / Credit Card Authorization Form:

I (we) hereby authorize NAHU to initiate debit entries to my (our) account as indicated.
- Monthly debits will equal one-twelfth of any current applicable national, state or local dues.
- (Please include a voided check from the account to be drafted, or write credit card number below)

Name (as it appears on the check or credit card) Signature

Account Number Expiration Date

Please Mark the Box or Boxes For The Areas of Your Practice:

ف Long Term Care	ف Disability	ف Managed Care	ف Retirement
ف Individual	ف Large Group	ف Small Group	ف Worksite Mktg.
ف TPA	ف Self Insured	ف Medicare Supplement	ف Dental

Mail To: NAHU, 2000 N. 14th Street, Suite 450, Arlington, VA 22201
Fax to: 703 841-7797

If you have questions, please contact Illana Maze, NAHU VP of Membership, at 703-276-3810

Making Sense of Pennsylvania's Small Group Rating Bills

Vince Phillips, PAHU Lobbyist

The issue now dividing the health insurance industry is small group rating. The issue is advanced by insurance companies that believe medical underwriting is discriminatory 'cherry picking' and really is anti-competitive because the remaining risk pool becomes older and sicker.

This view is opposed by other carriers that maintain a prohibition on medical underwriting really means fewer choices and a concentration of the market into an insurance oligopoly. Insurance brokers are also split on the issue. As a state association, PAHU has not taken a formal position on any of the pieces of legislation that have been proposed, although individual members have been outspoken in advancing their personal beliefs either pro or con the proposition.

This article is designed to walk the reader through the various legislative approaches that have been advanced thus far. What all bills attempt to do is to bring all or some of the for-profit health insurers under the regulatory authority of the PA Insurance Department for both their rating methodology and pricing. The Insurance Department now regulates the Blues, and these bills would extend this authority to the profit health insurance sector.

What the bills do not do is establish pure community rating. This was attempted last session by Senator Rob Wonderling (R-Lehigh) with his Senate Bill 671 (not to be confused with this session's SB 671). Pure community rating for all small groups has not been advanced legislatively this session.

There are three approaches in legislation introduced thus far. HB 1240/SB 671 are similar to HB 1201 except for some permissible medical underwriting in the latter. The third bill regulates small group rating by market share, and is the Rendell Administration approach.

Similarities Between SB 671/HB 1240 and SB 1201

- Who must file: All carriers in the small group market.
- Small Group: 2-50.
- Carriers (and producers) must offer all options that the carrier has relating to small groups.
- Modified demographic rating is a term used in these bills to describe variables that can be used to help determine rating. These are age, gender, family composition, industry, geography (county being the smallest geographic unit).
- Rating stems from a base rate approved by the Insurance Department with +/- band of 35% for age and gender and 10% for industry.
- Premiums can change once a year, other things equal.
- Policies must be renewed except where there is material misrepresentation, fraud, minimum participation, or non-payment of premium.
- Carrier must pay for pre-existing after 12 months.
- Withdrawal by a carrier from the small group market requires a 90-day notice to the Insurance department and 30 days to the employer.
- **Producer Issues:** The carrier may not vary producer compensation based on health status of the group. Producers may not encourage a client small group to refrain from filing an application with a carrier or seek coverage from another carrier because of group health status or nature of industry. Producers may not encourage exclusion of an individual because of an employee or dependent's health condition.

The Differences Between HB 1240/SB 671 and HB 1201 Are:

HB 1240 and SB 671 ban medical underwriting, period. Medical underwriting includes:

- health status
- medical condition (no medical questionnaire)
- claims experience
- genetic information
- evidence of insurability and conditions arising out of acts of domestic violence
- disability

HB 1201, on the other hand, permits 20% of the rate calculation to be based on medical underwriting. The term 'medical underwriting' is not defined in this bill.

HB 1741 Stands Alone

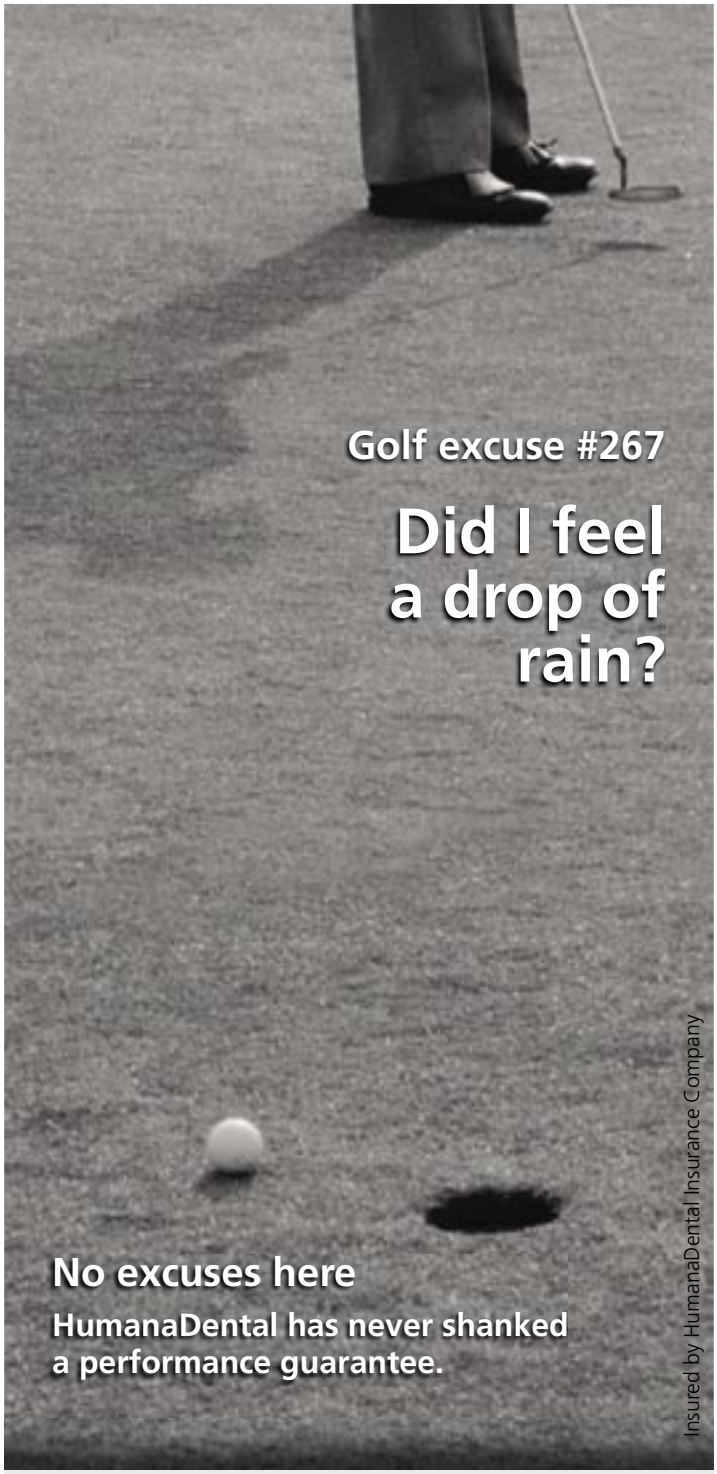
Like the other two approaches, HB 1741 considers a small group as one with 2-50 lives. That is where the similarity ends.

The Rendell Administration (through the Insurance Department) advanced this proposal that it hoped would bridge the differences between warring industry factions. It:

- Divides the state into seven geographic regions.
- Each region will use a particular rating system depending on the individual carrier's market share.
- For those with less than ten-percent market share (small market share) in a region, there is no Department restriction on rating methodology. Thus, medical underwriting is permitted.
- For those carriers with 11-49 percent of market share (middle market share) in a region, modified community rating would be used. The term "modified community rating" is not defined in the bill except to say that it would include "factors filed with the Department." These might mean age, gender, location, industry, etc. and could include medical underwriting. Pricing would allow + or – 35 percent from the approved community base rate.
- Carriers with over fifty percent (dominant market share) would use community rating and have a rate band of +/- 10% from an approved base rate.
- In March, carriers would file reports with the Insurance Department as to the scope of their business by region. In July, the Department would publish the market concentration numbers in the PA Bulletin. These market share numbers would tell the carriers how to rate their products for the next year. The bill allows for a transition period for the new rating methodology to be phased in.
- There may be exceptions based on an appeal for "extraordinary circumstances."

Serving the public by promoting the activities and ethical conduct of insurance professionals through communication, education, and legislative representation.

www.PAHU.org • info@PAHU.org



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PENNSYLVANIA DOI:

Survey Finds Most Producers Non-Compliant

PAHU Member Action Advisory

On July 27 the Pennsylvania Insurance Department Enforcement Bureau and legal staff convened a briefing for PAHU and PAIFA regarding the extent to which Pennsylvania insurance producers were not compliant with the regulations dealing with privacy of personal financial information (Gramm Leach Bliley Act) and health information (HIPAA). This summary of the meeting is designed to assist producers in complying and was prepared with the assistance of the Insurance Department.

On March 1, 2005 the third Privacy Rule went into effect. It mandates that insurance agencies and licensed producers have a system in place to protect customer financial and health information. This written security program is not to be confused with the disclosures to the public required by Gramm Leach Bliley Act and by HIPAA. Those disclosures continue if the agency meets the legal requirement to do so. This third Rule is different in that it focuses on the internal safeguards, i.e. how well are the agencies and individual producers protecting this information and provides stiff penalties for those violating the Rule.

The Rule also stresses the requirement in an earlier Privacy Rule under Chapter 146a of 2001. Section 146a.31 requires licensees to enter into contractual agreements with third parties that prohibit the third party from disclosing information other than to carry out insurance functions. In other words, the agency and individual producer must be especially mindful of vendors with which it does business and protect information from their misuse as well.

Specifically, the Department conducted two surveys of PA resident agency principals in March and June. Agency principals were selected for the survey because they were felt to be more aware of their agency's legal requirements than rank and file producers. The sample included P/C, LAH, and multi-line agencies of all sizes from all parts of the state. Not included were captive agents since their agency policies would be tied more closely with insurance company compliance policies. Approximately 60 percent were unaware of the newest Privacy Rules, Chapter 146c, and had no written policies in place. Because of this industry lack of awareness, the Department asked the agent associations to spread the word out to the insurance producing community in order to reduce enforcement action later on.

Although the Department did not provide a template for a written information security program to be used by producers, a number of possible criteria were discussed. These plans must include technical, physical, and administrative safeguards. Security programs must:

- Be written and available for inspection by the Department
- Have employee procedures in place that spell out proper use of information, controls, and disciplinary action if there is a breach
- Have employee training
- Anticipate reasonable threats to the security of the information
- Provide for physical security (locks, limited access)
- Provide for computer technical security (firewalls, passwords, limited access)
- Provide for record security
- Provide for vendor security (Examples of vendors might be information technology, archiving firm, document shredding firm, janitors, agency software vendors, etc. – in short, any one having access to your agency information)
- Allow for periodic updates and reviews

The Insurance Department emphasized that they are looking for 'good faith' efforts since there are so many variables inherent in an insurance setting that could influence what an agency privacy security plan looks like. The Insurance Department plans to publish general guidance for Privacy Compliance for insurance licensees on its web site in the near future.

In addition, the NAHU has developed material presented by the NAHU Education Foundation written specifically for health insurance producers. The guide provides a complete overview of the new requirements, sample notices, templates and more. It is available on the NAHU website at: **http://nahu.org/publications/HIPAA_Guide/index.htm**.

NAHU Compliance Overview: Notice of Privacy Practices

General Rule

As a general rule, individuals have a right to receive a notice of 1) the uses and disclosures of protected health information that may be made by a group health plan, 2) the individual's rights under the Privacy Rule, and 3) the group health plan's responsibilities under the Privacy Rule. In addition, a group health plan may not use or disclose protected health information in a manner inconsistent with its notice of privacy practices.

Required Elements Of Notice

The notice must be written in plain language and must contain the following elements:

a. A prescribed header.
b. The notice must describe the health plan's uses and disclosures of information including:
    i. A description, including at least one example, of the types of uses and disclosures of protected health information that the group health plan is permitted to make for treatment, payment, and health care operations;
    ii. A description of each of the uses or disclosures that the group health plan is permitted to make without the individual's written authorization;
    iii. If applicable, the description of uses and disclosures that are permitted without authorization must reflect any more stringent law; and
    iv. A statement that other uses and disclosures will be made only with the individual's written authorization and that the individual may revoke the authorization.
c. If the group health plan intends to engage in any of the following activities, the notice must include a separate statement, as applicable, that:
    i. The group health plan may contact the individual to provide appointment reminders or information about treatment alternatives or other health-related benefits and services that may be of interest to the individual; and
    ii. The group health plan may disclose protected health information to the sponsor of the individual's group health plan.
d. The notice must contain a statement of the individual's rights under the Privacy Rule and a brief description of how the individual may exercise these rights.
e. The notice must contain a description of the group health plan's duties including:
    i. A statement that the group health plan is required to maintain the privacy of protected health information;
    ii. A statement that the group health plan must provide individuals with a privacy notice;
    iii. A statement that the group health plan must abide by the notice.
    iv. If applicable, a statement that the group health plan reserves the right to change the terms of its notice and to make the revised notice effective for all protected health information that it maintains; and
    v. If applicable, a statement describing how the group health plan will provide individuals with a revised notice.
f. The notice must contain a statement that individuals may complain to the group health plan and to the Secretary of HHS if they believe their privacy rights have been violated, a brief description of how the individual may file a complaint with the group health plan, and a statement that the individual will not be retaliated against for filing a complaint.
g. The notice must contain certain contact information and an effective date.

For detailed information regarding the Optional Elements Of Notice, Revisions To Notice, Providing Notice, Electronic Notice, and Documentation visit the NAHU website at **http://nahu.org/publications/HIPAA_Guide/index.htm**.

NAHU Compliance Overview: Business Associates

Requirement

Health plans, including the group health plans provided by employers, may not disclose protected health information to a "business associate" or allow a "business associate" to create or receive protected health information on behalf of the health plan unless the health plan has entered into a contract with the business associate that provides satisfactory assurances that the business associate will appropriately safeguard the protected health information.

Identifying Business Associates

a. A business associate is any person, other than a member of the health plan's work force, who:
   i. On behalf of the health plan performs or assists with any activity involving protected health information, including activities such as claims processing or administration; data analysis, processing, or administration; utilization review; billing; benefit management; or repricing; or
   ii. Provides any of the following services, where providing the service involves disclosure of protected health information to the person: 1) legal, 2) actuarial, 3) accounting, 4) consulting, 5) data aggregation, 6) management, 7) administrative, 8) accreditation, and 9) certain financial services.

b. The following are not business associates:
   i. The employer/plan sponsor of a group health plan (separate contractual requirements apply to plan sponsors);
   ii. A provider seeking reimbursement (unless the provider performs some function on behalf of the health plan, such as case management);
   iii. A contractor that has de minimis contact with protected health information (for example, a janitorial service); or
   iv. An organization that acts merely as a conduit for information (for example, the U.S. Postal Service, FedEx, and telecommunications and internet service providers that act only as conduits).

Key Elements of a Business Associate Contract

Business associate contracts are required to have provisions that:

- Establish the permitted uses and disclosures of protected health information
- Provide that the business associate will not use or further disclose the information other than as allowed under the contract or required by law
- Provide that the business associate will use appropriate safeguards to prevent the unauthorized use or disclosure of information
- Require the business associate to report to the health plan any unauthorized uses or disclosures of the information
- Ensure that any agents or subcontractors to whom the business associate discloses protected health information agrees to these same restrictions
- Provide that the business associate will make protected health information available for inspection
- Provide that the business associate will make protected health information available to amend and that the business associate has the capacity to make amendments
- Provide that business associates can provide for an accounting of all of their disclosures of protected health information
- Require that the business associate agrees to make its internal practices, books and records available to the Secretary of HHS for inspection, if necessary
- Provide that the business associate agrees to return or destroy, if feasible, all protected health information, and if not feasible, agrees to secure the information and limit future uses and disclosures to those purposes that made its return or destruction infeasible
- Authorize the termination of the contract if the business associate has violated a material term of the contract

A sample business associate contract can be found in the sample documents section of this guide at **http://nahu.org/publications/HIPAA_Guide/index.htm**.

FINANCIAL PRIVACY: A FACT SHEET FOR PENNSYLVANIA CONSUMERS

Brought to you by the Pennsylvania Insurance Department

Your Privacy Rights

After July 1, 2001, the federal Gramm-Leach-Bliley Act of 1999 (GLBA) requires that financial companies – banks, security firms and insurance companies – have a privacy policy in place, notify all their customers of that policy and allow customers to "opt-out" of having their personal financial information shared.

These privacy policy notices should detail your insurance company's privacy policies and practices. You may find it as part of other correspondence, but it must be clearly marked and reasonably understandable.

Take a minute, find your last premium statement or any recent mailings from your insurance company or agent. Review your personal financial privacy notice. If you haven't received the notice, your first point of contact should be your insurance agent or company. If you still have questions, contact the Pennsylvania Insurance Department's Bureau of Consumer Services at one of the four regional offices listed on the bottom of this fact sheet.

If you miss or ignore your privacy notices, you may be giving companies the right to share, sell or market your personal financial information.

Reading the small print or calling a toll-free number can take some time, but if you don't want your personal financial profile shared without your persmission, it is your responsibility to notify the company.

Responsibilities

Your company and agent have a responsibility to inform you when they disclose, or intend to disclose, "nonpublic" personally identifiable financial information about you. Examples of nonpublic personal financial information may include:

- information provided on an application, such as income and assets;
- your name, if it is included in a list of the company's customers;
- details regarding your insurance coverage, including the premium you pay, the amount of coverage, etc.;
- your premium payment history; and
- credit information, such as your credit history, that the company obtains from a consumer report.

Use and Conditions

Companies must also describe the conditions in which your personal financial information might be provided to another party as permitted by law. Companies are allowed to disclose your information without your consent or approval in the following situations:

- when sharing personal financial information with affiliated companies (such as other financial institutions owned by the insurer);
- when sharing protected financial information for certain business reasons, including underwriting, settling claims and investigating fraud;
- when disclosing your personal financial information to an insurance regulator, court or law enforcement official; and
- when disclosing protected financial information for the purpose of joint marketing or servicing agreements.

Opt-Out Procedures

In other situations, your company has to provide you directions on how to "opt-out" of certain disclosures. By "opting-out" you are directing your company not to disclose nonpublic personal financial information to any non-affiliated third parties, unless otherwise permitted by law.

Your company is now required to send an annual notice and indicate any changes to their privacy policies and practices. They should also give you up to 30 days to request that your company not share personal financial data with other companies. If you haven't read or responded to the notices, you haven't lost your chance. You can still opt out at any time and direct your company not to disclose your personal financial information.

Pennsylvania Insurance Department • www.insurance.state.pa.us • Toll-free Automated Hotline: 1-877-881-6388
Harrisburg Regional Office (717) 787-2317 • Philadelphia Regional Office (215) 560-2630
Pittsburgh Regional Office (412) 565-5020

PAHU Sets Advocacy Dates for 2006

The Pennsylvania Association of Health Underwriters (PAHU) has set several dates in 2006 for those interested in the political and legislative advocacy mission of our Association. These are:

JANUARY 25, 2006

Staff Briefing in Harrisburg

The Staff Briefing is a seminar for legislative staff to learn more about a key insurance issue in which PAHU has interest. It lasts two hours and attracts staff from 35-40 legislative offices from both the House and the Senate. Legislators will often come by as well. In the past, the Staff Briefing has had presentations on Cost Drivers in Health Insurance, Who Are the Uninsured, and Long-Term Care Partnerships. Although a final determination has not been made for 2006, one possibility is discussion of approaches for "universal" health care. This idea was spurred by the Rendell Administration's receipt of a HHS grant to look at how Pennsylvania might achieve universal coverage. Another topic might be small group rating and whether or not to prohibit medical underwriting. NOTE: This private briefing is not an open membership function, although interested parties may observe.

FEBRUARY 15, 2006

Day on the Hill in Harrisburg

Each year, PAHU has a Day on the Hill to bring members' views before legislators and key staff. Individual appointments are pre-set by the PAHU Lobbyist so as to maximize best use of time unless other arrangements have been made. In 2006, there will probably be an in-depth briefing on legislative issues for those coming in the night before. It will also be a training experience on how to successfully advocate our interests. Usually, registration begins at 7:30 a.m. followed by a briefing at 8:30 with legislative meetings going on until 2:00 p.m. or so. In addition to individual meetings, PAHU members also participate in larger meetings with key legislators or staff such as the Chairman of the Banking & Insurance Committee, etc.

MARCH 27-29, 2006

NAHU Capitol Conference in Washington, DC

Each year the National Association of Health Underwriters (NAHU) has a Capitol Conference in the Nation's Capitol to focus on the range of Federal issues affecting health insurance. It features briefings by NAHU staff on the issues as well as high-level presentations by U.S. Representatives, Senators, and Administration officials. As with the state Day on the Hill, there is "face time" with congress people and staff. The Association's lobbyist makes these congressional appointments for you. In addition, the NAHU Capitol Conference's Congressional Reception is noted for its informality and participation from elected officials and their staff.

For more information, visit PAHU's website at www.PAHU.org.

TidBITS A SUMMARY OF NEWS & RESOURCES

Excerpts from Phillips Associates' LEG-REG REVIEW

TESTING CENTER LOCATIONS ANNOUNCED

Thomson Prometric sent a letter September 9 to pre-licensing education providers announcing expanding testing services in the near future. That means in Pennsylvania, testing centers (and available testing stations/slots) will soon be operational in Allentown (15 stations), Erie (10), Lancaster (5), Monroeville (19), Pittsburgh (15) Philadelphia (32), Phila. North Wales (33), York (7), Harrisburg (15), and Clarks Summit (10). The testing service also announced that many of these would be open on Saturday. Prospective licensees are directed to 24/7 registration www.experioronline.com. When specific addresses, locations, and expanded hours are released they will be published in Leg Reg Review.

WILL HSA TAX INCENTIVES GET SECOND WIND?

Although SB 854 (Armstrong-R-Lancaster) was originally on the docket to be considered by the Senate Banking & Insurance Committee as reported by Leg-Reg Review, it was pulled from the committee agenda. On the House side, Sen. Armstrong's original HSA tax incentive bill, Senate Bill 300, is still potentially on the House agenda. If there are no amendments, the bill could win House approval and be on the Governor's desk. Rendell opposed the original version of HB 107 in favor of its muted final product (an account would only see a tax benefit for money earned in interest on an HSA, not only the contributions into the account). Some groups such as the Health Underwriters felt that HB 107 would not provide a meaningful incentive for people and businesses to look at Health Savings Accounts. Both SB 300 and SB 854 provide the incentive on contributions made into an HSA as well as the interest earned. Stay tuned…

IRS MILEAGE RATE INCREASED

Beginning Jan. 1, 2006, the standard mileage rates for the use of a car (including vans, pickups or panel trucks) will be 44.5 cents per mile for business miles driven; 18 cents per mile driven for medical or moving purposes; and 14 cents per mile driven in service of charitable organizations, other than activities related to Hurricane Katrina relief.

LTC PARTNERSHIP BILL READIED FOR PASSAGE

House Bill 93 (Sather-R-Huntingdon) is ready for full House consideration after last week's vote by the Appropriations Committee to move the bill. This bill would allow Pennsylvanians access to Long-Term Care (LTC) Partnerships, an approach providing sheltering of assets so that an individual would use up private insurance LTC benefits before tapping into Medicaid long-term care. So far, only four states have these Partnerships because of an amendment dealing with Medicaid assets recovery tacked on to the 1993 Omnibus Budget and Reconciliation Act. At the federal level, legislation has been introduced in both House and Senate to repeal this amendment and permit LTC Partnerships in states like PA. HB 93 cannot take effect unless the federal impediment disappears.

INSURANCE COMPACT SIGNED INTO LAW

Governor Ed Rendell signed SB 260 into law as Act 78 of 2005. PA is now on the list of states agreeing to all approve certain life, annuity, and long-term care insurance products if one state does so. This will not take effect until a national threshold (number of Compact states) has been reached. The top priority of the Insurance Department, the Compact is seen as NAIC 's answer to critics who believe that states cannot exercise speed in approving new insurance products. This is part of the long-simmering national debate on Federal v. state insurance regulation.

LEGISLATIVE STATUS CHECK

- The House passed an autism health insurance mandated benefit bill, HB 2243 (O'Brien-R-Phila.). It would require health insurers to pay for diagnosis, treatment, and rehabilitation for autism disorders.
- Passed by the House is a bill (HB 1632 (Kenney-R-Phila.) stating that losses may not be excluded from homeowner insurance if caused by an intentional act of an insured if directed at victims of abuse. Sen. Pat Vance (R-Cumberland) who has introduced similar legislation may champion the issue.

DOI's 2006 LICENSING FEES ANNOUNCED

A new edition of the PA Insurance Department Licensing Information Bulletin shows reductions in a number of fees. Fingerprinting service fees are now $20 (down from $24). Licensing fees for specific powers are: Life $44, Accident and Health $44; Combined L/A/H $55; Property $44; Casualty $44; Combined P/C $55; Surplus lines $44; Title $44; Public adjuster $44; Appraiser Motor Vehicle Damage $89; Personal Lines $44; and Viatical Broker $44.

National Association of Health Underwriters

Washington Update

2000 N. 14th Street, Suite 450, Arlington, VA 22201

Long-Term Care Partnerships

The Senate passed long-term care partnership language in its reconciliation bill and we are awaiting passage by the House with similar language. It looks very likely that partnership legislation will become law this year. We'll keep you informed of the progress, and may be asking for your assistance as the House language moves forward, as well as when we enter the second phase of state implementation of the partnerships.

Medicare

Enrollment for the Medicare Part D prescription drug benefit began November 15. Insurers and others that are providing prescription drug plans are actively marketing at this time. In addition, please remember that employers are required to provide eligible employees with a disclosure notice detailing the prescription benefit program and its comparability to the part D benefits. Sample notices for comparable coverage and coverage that is not comparable are available on www.nahu.org. For more information visit www.nahu.org/education/index.htm.

High-Risk Pools

On October 19 the Senate passed the House version of the high-risk pool funding bill. H.R. 3204 provides $75 million each year beginning in 2007 through 2010 for qualifying existing state high-risk pools. The bill also provides states with seed funding, up to $1 million per state, for 2006 to establish high-risk pools. NAHU members in Nevada, Arizona, Ohio and Georgia are actively pursuing high-risk pool legislation in their states. The final bill, which was amended in the Senate, must be agreed to by the House before being sent to the president.

Market Reform

Senator Michael Enzi (R-WY), chairman of the Senate Health, Education, Labor and Pensions Committee, introduced comprehensive market reform legislation this week. S. 1955, the Health Insurance Marketplace Modernization and Affordability Act of 2005, aims to create a level playing field within the small-group market for both fully insured AHPs and small employer plans, provide uniformity in regulation, and maintain state regulatory authority over the business of insurance and consumer protection. Self-funded AHPs would not be permitted under the Enzi proposal. NAHU will be working with Senator Enzi on the bill as it moves forward.

HSA Changes for 2006

The U.S. Department of Treasury has released adjustments for HSAs for 2006. The minimum deductible for individuals is $1,050 with maximum out-of-pocket expenses of $5,250. Contributions to the account are capped at $2,700 or the minimum deductible of the HDHP. The minimum deductible for family coverage is $2,100 with maximum out-of-pocket expenses of $10,500. Contributions to the account are capped at $5,450 or the minimum deductible of the HDHP. Individuals age 55 and older may contribute up to $700 in catch-up contributions for 2006.

Other News

It is not too early to begin thinking about Capitol Conference 2006! The meeting will be held March 27-29 at the Capital Hilton in Washington, DC. See pages 23-24 for more information.

NAHU's 16th Annual
CAPITOL CONFERENCE
March 27-29, 2006

IMPORTANT DEADLINES
Early Bird Capital Conference Registration deadline: Friday, February 10, 2006
This means:
- Faxed registrations (with payment in full via credit card) must be received at NAHU no later than 9:00 p.m. eastern time on February 10 th.
- Electronic registrations (with payment in full via credit card) must be e-mailed no later than 9:00 p.m. eastern time on February 10 th.
- Mailed registrations must be postmarked no later than February 10 th.
- Registrations using NAHU bucks or with payment by check must be mailed!

Capital Hilton Hotel Reservations Cut-off Date: Friday, March 3, 2006
This means:
- The hotel is not required to give you our conference rate if you call after March 3 rd , even if they have rooms available.
- You are not guaranteed to receive the conference rate up until that date. The hotel is only required to honor our group rate until we fill our contracted block of rooms.
- Your credit card will be charged one night's deposit when you make your reservation.

TRANSPORTATION
American Airlines has been selected as the official airlines of Capital Conference 2006. American is offering a 5% discount off lowest applicable fares, as well as zone fares. Zone fares allow for discounted travel without a Saturday night stayover, and are partially refundable if you need to cancel.

For conference airline discounts, visit www.aa.com and enter A2136AR as the discount code. Or you may contact (or have your travel agent contact) American Airlines Meeting Services Desk toll free (1-800-433-1790) and refer to authorization number A2136AR.

Avis is offering discounted car rental fees to Capital Conference attendees. To take advantage of discounted rates, call 1-800-331-1600 and use discount code number D086892.

HOTEL ACCOMMODATIONS
Capital Conference is returning to the Capital Hilton Hotel, located at 16 th & K Streets, NW. You may make reservations by calling 1-800-445-8667 or 202-393-1000. Be sure to identify yourself as an NAHU Capital Conference attendee to obtain the discounted rate of $224 single/$254 double. Towers Rooms are available for $ 249 single/$280 double. Quoted rates do not include tax. Check-in time is 3:00 p.m. One night's deposit is required to guarantee your reservation, and your credit card will be charged at the time you make your reservation. The reservation cut-off date is Friday, March 3 rd . Be sure to make your reservations early, as the hotel will offer the group rate only until our block of rooms is filled.

Why You Should Attend
Our industry is one of the most heavily regulated in the country. Health care costs are a huge issue for every individual and business, therefore every lawmaker on Capitol Hill has an idea of how to bring down costs. Many of these ideas would change or take away the free market system that we know works the best. If your representatives in Congress are only hearing from the other side -- those who favor a government-run single payer system, for example -- then that's the sort of legislation they'll propose. It's vital that we visit with them and present ideas that work and that won't bod down our health insurance delivery system.

NAHU's members are the most informed health insurance professionals in the country. Members of Congress look to us for ideas and feedback. The health staffers who advise the members of Congress on the issues are often new to the position and need to hear how the system works in the real world. Without the input of our members from every state, our health insurance system would be in a lot of trouble right now.

Capitol Conference is a unique chance to sit down with the people who make the laws that affect our profession and our clients. They respect our opinions. Because NAHU members have been visiting them and sharing good ideas for 15 years, they look forward to sitting down with health insurance legislation experts. Be a part of one of the most exciting events in our industry -- come to Capitol Conference 2006 and help us make a difference!

NAHU's 16th Annual
CAPITOL CONFERENCE
March 27-29, 2006

First Name (please print your full legal name) | Last Name | Designations

Nickname for Badge | Company Name

Business Address | City, State, Zip

Telephone | Fax | E-mail

❑ I will attend the Congressional Reception (Wednesday, March 29, 5:30–7:00 p.m.)

❑ This is my first Capitol Conference

❑ I have contributed to HUPAC since January 2005

In case of emergency, please notify:

Name

Daytime Phone | Evening Phone

REGISTRATION FEES

By February 10 . . . . . .$325
February 11 - March 3 . . . . . .$350
After March 3 . . . . . .$425

GUEST FEE - $50
Guest fee includes 2 continental breakfasts and the Congressional Reception. Guests cannot be health insurance professionals.
Note: Congressional Reception guests must be at least 21 years of age. Only Capitol Conference attendees and their registered guests may attend the reception.

Total Amount Due $ _____
Less "NAHU Bucks" enclosed $ _____
Total Amount Remitted $ _____

Guest Name _____

PAYMENT INFORMATION

My check made payable to NAHU is enclosed. ❑
Please charge my registration fee to: ❑ MasterCard ❑ Visa ❑ American Express ❑ Discover

Account Number _____ Expiration Date _____

Signature _____

NOTE: You may pay all or any portion of your registration with NAHU Bucks. Mail registration with payment to: NAHU Capitol Conference Registration, 2000 N. 14th Street, Suite 450, Arlington, VA, 22201. Registration forms may be faxed to (703) 841-7797, but must include credit card information and authorization.

Cancellation Policy: All cancellations must be in writing and submitted via mail or fax. Cancellations by March 3, 2006 - full refund, less $50 administrative fee. Cancellations after March 3, 2006 - If there is an act of terrorism or war within the United States that, in the opinion of the NAHU Board of Trustees, makes it impossible or inadvisable for members to attend Capitol Conference, written cancellation requests received prior to the start of the conference will be honored in full, less a $50 administrative fee. In the absence of such an incident, no refunds will be provided.

❑ Please check here if you have any special needs or require special services to fully participate in Capitol Conference 2006. Please attach a list of your specific needs.